

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

C O N F I D E N T I A L STATE 199147

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E.O. 11652: GDS

TAGS:EGEN PFOR, SA

SUBJECT:NEW APPROACH TO INDUSTRIALIZATION UNDER BILATERAL
ECONOMIC COMMISSION

1. TREASURY DEPARTMENT HAS BEEN DEVELOPING IMAGINATIVE
PROPOSAL FOR FACILITATING ECONOMIC DEVELOPMENT AND IN-
DUSTRIALIZATION UNDER BILATERAL ECONOMIC COMMISSION.
PROPOSAL WOULD HAVE FOLLOWING KEY ASPECTS:

(A) COMMISSION MEMBERSHIP ITSELF WOULD BE EXPANDED TO
INCLUDE PRIVATE SECTOR PARTICIPATION, AND COMMISSION WOULD
BE EMPOWERED WITH CERTAIN DECISION-MAKING AUTHORITY, E.G.,
WHETHER TO GO FORWARD ON SPECIFIC INDUSTRIALIZATION PRO-
JECTS.

(B) AN IMPLEMENTING ORGANIZATION WOULD BE CREATED BY JOINT
COMMISSION, UNDER AN AMERICAN ADMINISTRATOR WITH EXPERIENCE
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IN HANDLING MULTI-BILLION PROGRAMS. THIS ORGANIZATION

WOULD DRAW UP PROPOSALS, LET CONTRACTS FOR ACTUAL PROJECTS AFTER COMMISSION HAS APPROVED THEM, AND RECRUIT ADVISERS.

(C) SPECIAL OFFICE WOULD BE ESTABLISHED WITHIN TREASURY DEPARTMENT TO ACT AS COORDINATING MECHANISM WITHIN USG, MONITOR IMPLEMENTING ORGANIZATION ACTIVITIES, AND SERVE AS COMPTROLLER, DISBURSER AND AUDITOR OF TRUST FUND CREATED

THROUGH TECHNICAL COOPERATION AGREEMENT.

(D) ALL ACTIVITIES WOULD BE FUNDED BY SAUDIS, AND TREASURY IS CONSIDERING ASKING SAUDIS FOR 25 MILLION DOLLARS FIRST CONTRIBUTION TO TRUST FUND.

2. CONSULTATIONS ON PROPOSAL BETWEEN STATE AND TREASURY RESULTED IN FOLLOWING CONSENSUS DECISIONS ON SEPT 10:

(A) PROPOSAL IS BASICALLY ATTRACTIVE, BUT THERE ARE LEGAL AND SUBSTANTIVE PROBLEMS WHICH MUST BE EXAMINED AND RESOLVED BEFORE PROPOSAL CAN BE PRESENTED TO SAUDIS (E.G., IT IS PROBABLY PREFERABLE THAT IMPLEMENTING ORGANIZATION BE RESPONSIBLE DIRECTLY TO SAG RATHER THAN TO JOINT COMMISSION).

(B) PARSKY DURING HIS PRESENT TRIP TO SAUDI ARABIA WILL NOT RPT NOT FORMALLY PRESENT PROPOSAL BUT WILL INSTEAD GIVE THEM A GENERAL BASICALLY EXPLORATORY DESCRIPTION. IF REACTIONS ARE FAVORABLE A DETAILED PROPOSAL WILL BE PUT TOGETHER IN TIME FOR LATE SEPTEMBER MEETING OF WORKING GROUP ON INDUSTRIALIZATION. GOAL WOULD BE TO REACH FINAL AGREEMENT AT COMMISSION MEETING IN NOVEMBER. PARSKY INDICATED HE WOULD CONSULT WITH AMBASSADOR AKINS.

(C) DEPUTY SECRETARY INGERSOLL IN THESE CONSULTATIONS SPECIFICALLY RAISED WITH PARSKY THE PROBLEM OF OUT OF CHANNEL COMMUNICATIONS DESCRIBED IN JIDDA 5213, AND MADE CLEAR THAT ALL SUBSTANTIVE MESSAGES TO SAG HAD TO BE CLEARED WITH AND TRANSMITTED THROUGH STATE. PARSKY ACKNOWLEDGED THAT HE HAD SENT LETTER TO SULAIM WHICH CONFIDENTIAL

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MIGHT HAVE GENERATED SAUDI MENTION TO EMBASSY OF MAJOR NEW AMERICAN INITIATIVE. PARSKY PROMISED TO DISCUSS MATTER WITH AMBASSADOR ON HIS ARRIVAL. HE SAID HE WOULD SEND DEPT AND AMBASSADOR COPIES OF ANY LETTERS TO SAUDI OFFICIALS.

3. FOR AMBASSADOR AKINS: IN LIGHT OF YOUR RECENT REPORTS ABOUT SAUDI ATTITUDES RE NEW RELATIONSHIP, IT IS

IMPORTANT THAT YOUR JUDGMENTS AS TO DESIRABILITY OF PRE-SENTING THIS PROPOSAL EVEN IN EXPLORATORY FASHION AT THIS TIME BE COMMUNICATED TO PARSKY ON HIS ARRIVAL THERE, AS WELL AS TO DEPT. QUESTION OF WHICH SAUDI OFFICIALS HE MIGHT DISCUSS PROPOSAL WITH SHOULD ALSO BE EXAMINED.

4. AFTER YOU HAVE DISCUSSED PROPOSAL IN DETAIL WITH PARSKY, WOULD APPRECIATE YOUR VIEWS AND RECOMMENDATIONS COVERING SUBSTANCE OF PROPOSAL, PROCEDURAL APPROACH, AND TACTICS OF NEGOTIATING THIS OR SIMILAR PROPOSAL WITH SAUDIS. KISSINGER

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